“We Have All Been Here Before:

Inequality and Economic Crisis as Chronic Historical Conditions, 1974-2016”

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Thomas Piketty’s *Capital in the Twenty-First Century[[1]](#endnote-1)* has finally focused the attentions of today’s publics as well as policy-makers on the fact that economic inequality in the global North is growing, and that this is not a good thing. Thus, the inequality word is out and about once more, and politicians are listening. Arguably, the current dramatic political mobilizations throughout the global North are connected to the long-term losses of economic standing among the large majority of the nations’ citizenries. Its impact has been heightened by the now nine-year long economic crisis that has bounced from the North to the global South and back again to bedevil peoples around the world.

 The current economic crisis and the chartable growth in economic inequality since the late seventies and early eighties are both consequences of a world-capitalist economy unable to generate sufficient demand to fuel its growth. Martin Wolf of the *Financial Times* refers to our condition as “chronic demand deficiency syndrome,” a moniker that despite its medical connotations places the problem directly inside capitalism the creature, rather than putting the cause “outside” capitalism with appeals to the weather or one-off shocks exogenous to capitalism as a system.[[2]](#endnote-2)

Taking the lack of aggregate economic demand as my premise, I make three arguments. First I argue that the co-presence of economic crisis and economic inequality since the mid-seventies has deepened the damage to general well being, especially in nations largely bereft of an effective welfare state, or to citizens in states where welfare benefits are being reduced. Labor markets have also been damaged. Firms find it very difficult to re-incorporate efficiently the workers they expelled during the downturn; coupled with concurrent fall-offs in plants and equipment, post-crisis productivity is lagging, as is output. Unemployment may drop, but wages and working conditions are not returning to pre-crisis norms.

Second, don’t believe the hype. All credit to Piketty, but growing economic inequality, both within the United States and among nations was spotted almost as soon as the indicators turned in the early seventies. Despite heightened current awareness, inequality risks becoming naturalized today. The more that nothing is done, the greater the likelihood that peoples will conclude that nothing can be done, and those suffering the greatest from its effects will be less able to struggle against it. Inequality can become a symbol of an age rather than a social problem to be solved.

 Third, the current crisis and its aftermath within a longer-term context of a world capitalist economy in which economic inequality has grown rather than lessened suggests the need to advance a much more radical program of global wealth and income redistribution than contemplated by recent reformers, including Piketty. The demonstration and proof of this last argument awaits another occasion, owing to space and time constraints.

**The Effects Thus Far of a Devastating and Enduring Economic Crisis**

Rather than start with the usual output figures to measure the crisis, let us start with workers and their dependents world-wide who have borne the heaviest consequences. As the International Labour Organization’s *World Employment Social Outlook* for 2015 documents, global unemployment has grown throughout the crisis and is expected to increase by two to three million a year over the next four years. Thirty-one million jobs have been lost since the start of the crisis; when coupled with the increase in working-age persons, world labor markets will have to generate an additional 280 million jobs by 2019 to get back employment to where it was at the start of the crisis.[[3]](#endnote-3)

 Though employment has been improving marginally in the Global North, rates are deteriorating in emerging nations. Unemployment is increasing in Latin America and the Caribbean, China, the Russian Federation and parts of the Arab world. Employment, despite recent economic growth, is stagnant in sub-Saharan Africa. Headway made in reducing vulnerable employment, a term labor economists use to designate domestic labor and self-employment, has slowed during the crisis years. The number of vulnerable laborers world-wide currently stands at 1.44 billion.

 Some of the damage done by the crisis can be estimated using the concept of the employment gap – like the more common output gap a measure of employment growth that would have occurred if the crisis of 2007-2008 had not intervened and broken the long-term trends. The ILO estimates that trend growth would have yielded an increase of 61 million jobs between the crisis start and the end of 2014 that were otherwise not in fact created. Given the weak recovery to date, the ILO estimates that the employment gap by the end of 2019 will have grown to 80 million jobs.[[4]](#endnote-4)

Labor’s share of national incomes has dropped in most countries. Labor productivity growth has declined as well, most often for the lack or deferral of capital investments. Income inequality before and after taxes and transfers has increased measurably world-wide since the crisis began.[[5]](#endnote-5) This is because the terms and conditions of employment show signs of global deterioration. In Northern economies, under the banner of increased labor “flexibility,” stretches of unemployment have been unprecedentedly and agonizingly long for low and semi-skilled workers, young workers, and women workers. Under-employment and a drop in labor participation rates have filled out the labor market picture, along with recent evidence that crisis-related unemployment is adversely affecting workers’ life chances. For instance, among U.S. low-skilled white male workers aged 45-54 is correlated with rising death rates due to suicide, alcoholism, and drug abuse.[[6]](#endnote-6) Economists studying labor conditions in East and Southeast Asia from the Asian financial crisis of 1997-98 to today have reported that damage to wages and working conditions endured by workers beginning 17 years ago has persisted: new posts are more liable to be part-time, devoid of benefits or social protection, and subject to high turnover, and this erosion in labor markets has become notable in the “good” or regular, formal sector of Southeast Asian economies as well as in the informal sectors.[[7]](#endnote-7)

 Given the lack of aggregate demand,[[8]](#endnote-8) historic low and now negative interest rates have not enticed consumers to spend or businesses to invest. Consumers in the North, but especially in the United States where their debt overhang was related to triggering the initial sub-prime panic, reduced their debt by increasing savings. Businesses in the North, insofar as they have taken advantage of essentially costless money, have increased their debt levels and bought back their own stocks and speculated in the stocks and bonds of others, including until two years ago, the securities of foreign producers.[[9]](#endnote-9)

Quantitative easing has unleashed an avalanche of dollars, euros, and yen (and renminbi) into the world economy, (almost $6 trillion in all and counting)[[10]](#endnote-10) and the global financial sector has poured it into emerging markets in the form of loans and portfolio investments in stocks and bonds, the latter including substantial purchases of bonds in local currencies. Dollar-denominated loan debt for emerging economies (as distinguished from investments in stocks and bonds and mergers, etc.) amounts to $3 trillion.[[11]](#endnote-11) The proportion of outside foreign investment in emerging market economies is the highest in over a century. Successive shocks to emerging market economies from the oil price collapse to the more general fall in commodity prices driven by declining Chinese demand for raw materials led outside investors to withdraw their funds (withdrawals reached one trillion dollars in the last 13 months), and to stop making loans at all (outside loans to China went from over a trillion dollars to zero this past year). As a consequence emerging market currencies have depreciated badly, and the U.S. dollar correspondingly increased 17% on a trade-weighted basis for the year ending last August 1, making the “hard currency” loans harder to pay back, especially as economic growth slows in response to the capital contractions and sinking domestic and foreign demand. The dollar-euro-yen currency glut is disappearing, and though emerging market countries, in contrast to the currency crises of the nineties, have stockpiled hard currency foreign reserves, paying down external debt will trigger more slowdown and threaten hard-won progress in living standards for the hundreds of millions. As Henny Sender of the *Financial Times* writes: “A world awash with dollars is rapidly being replaced by a dollar-scarce world. … The pain of deleveraging for the most indebted will become even more severe.”

The trillions released via quantitative easing, whether by the United States, Japan, China or the European Union have refused to take root in the world’s productive spheres. When the manufactured money has touched down, it has found its way through financial circuits into urban real estate speculation. Global South businesses too could not resist virtually free money and used it for expansion (demand in their domestic markets did not begin shrinking until two years ago); their problem now is how to avoid defaults on hard currency loans to Northern banks, made all the more expensive by Northern capital flight and accompanying local currency devaluation.

**Crisis Explanations and Damage: An Historical Narrative Struggling to be Born**

During the early years of the crisis, conventional economic explanations carried the day. Given that the crisis officially “began” with the Lehman Brothers bankruptcy that unleashed a global financial panic, many indeed relied on a theory of market panics articulated in a popular history of market cock-ups by the MIT economist Charles Kindelberger. From tulip manias to South Sea Bubbles, panics as well as booms, according to Kindelberger, were products of psychological dispositions like greed and fear that chased the prudent person from the marketplace, leaving crashes in their wake.[[12]](#endnote-12)

Subsequently, many economists began to normalize the panic that had transformed itself into a crisis. “Crises follow consistent trajectories and yield predictable results,” counseled Nouriel Roubini, one of the first and few to spot the coming crash. “They are far more common and comprehensible than conventional wisdom would lead you to believe,” he wrote reassuringly in 2011.[[13]](#endnote-13) More orthodox neoclassical economists Carmen Reinhart and Kenneth Rogoff in *This Time Is Different: Eight Centuries of Financial Folly* argued that the crisis beginning in 2008 was another of a series in which financial cautions are thrown to the winds, and the return is financial chaos. Like Kindleberger, they refused the notion that each crisis is unique, and embrace his position that people typically repeat the mistake that “this time is different.” Underlying their model is one grand universal observation made evident on the opening page: “If there is one common theme to the vast range of crises we consider in this book, it is that excessive debt accumulation, whether it be by the government, banks, corporations, or consumers, often poses greater systemic risks than it seems during a boom.”[[14]](#endnote-14) Unlike Kindleberger, they stop short of a psychological final cause, in his case speculative manias that create asset bubbles, though they do express their perplexity that “the ability of governments and investors to delude themselves, giving rise to periodic bouts of euphoria that usually end in tears, seems to have remained a constant.”[[15]](#endnote-15) Crises are less the product of greed and fear, it seems, than delusional states in which the fear of indebtedness fails to inhibit spending.

The New Keynesians in their diagnosis of the lack of aggregate demand offered a stock, recursive cause and structural description of the crisis. But the specificities of the 2008+ crisis have begun to sow seeds of doubt among them about the adequacy of their first approximation. This crisis is acquiring the crippling historical specificity of secular stagnation marked more by the condition of hysteresis, the latter referring to the lasting damage done to labor markets and workers by prolonged unemployment.[[16]](#endnote-16) Olivier Blanchard, until just recently head economist of the International Monetary Fund, and Lawrence Summers used the concept in 1986 and 1987 papers that argued that declining productivity in the European labor markets in the decade and a half from the seventies until the mid-eighties was due to high levels of long-term unemployment which rendered the returning workers less productive and workplaces less technologically innovative, thus slowing subsequent economic growth.[[17]](#endnote-17) Summers along with J. Bradford De Long in 2012 proposed that a similar hypothesis was fitting the long and unresolved under and unemployment problem that has become a characteristic of the present crisis in the United States as well as in Europe.[[18]](#endnote-18) Finally, Summers in 2014 tied the hysteresis hypothesis to a broader characterization of the crisis as emblematic of an historic phase of secular stagnation, the latter recalling the New Deal economist Alvin Hansen’s argument that economies can rebalance themselves below their optimum rate of growth due to factors such as population decline. The culprit this time according to Summers is the reverse of Say’s law: namely that the lack of demand is causing a drop in supply. Thus the world economy as a whole is re-equilibrating at sub-optimum growth levels, a condition that hysteresis aggravates by lowering labor productivity.

Even as the New Keynesians add a bit of historicity to their structural explanations, Marxian political economists with an historical bent have placed the 2008+ crisis in the context of capitalism’s many modern crack-ups. As Roubini, generously for an establishment economist notes, Marx placed crisis at the center of his theory, and thus capitalism’s capacities for misadventure find Marxian political economists most attentive.[[19]](#endnote-19) The question for prominent Marxian political economists such as Giovanni Arrighi and David Harvey is the relation between the successive crises of capitalism.[[20]](#endnote-20) Given that a New Keynesian like Lawrence Summers has begun tying the “dot.com” bust to today’s Great Recession, and thus creating an historical narrative albeit by the backdoor, it is a question that the Marxian tradition no longer monopolizes.

Both Arrighi and Harvey stress the connectedness of capitalism’s modern crises, but they score them differently. Arrighi following Fernand Braudel argues that capitalism as a world economic system since its modern origins in the 15th Century has suffered inevitable crises of profitability. Successive hegemonic capitalist powers such as the Italian city-states, the Netherlands, England, and now the United States, have great profitable runs in production and the organization of finance and trade. Their accomplishments, however, sow the seeds of their decline, as the new national competitors learn their techniques, attract their capital, overcome them politically as well as economically, and become the new hegemon around which the capitalist economy and world politics revolve.[[21]](#endnote-21)

These world-capitalist hegemonic transfers – just four in 500-odd years – suggest immediately that transformations of this sort are of the *longue duree*. Arrighi argues that some economic crises, again following Braudel, are conjunctural in nature; that is they approximate, albeit for perhaps different reasons, the slowdowns characteristic of the recessions charted by conventional economists. They are confined to the economic realm per se, and thus do not upset the prevailing system of political rule exercised by the hegemonic power presiding over the world capitalist economy of the time. Arrighi argues that hegemonic powers also experience “signal crises” (i.e. they signal that their hegemonic reign is coming to a close) when they forsake production at home, pull up their capital, seek investments abroad, and engage in financial speculation, all at the same time as they experience political challenges at home. A “terminal crisis” no longer signals, but abruptly ends a hegemon’s reign. In the case of Great Britain, capital began leaving the homeland in large amounts during the world depression between 1873 and 1896, and the signal crisis consisted of its near bankruptcy by the end of the First World War. The Great Depression, though triggered by speculation in the United States, along with the Second World War finished off finally both the homeland and the empire. The United States, aspiring hegemon since the turn of the 20th Century, turned wartime success into supremacy, rewriting the international rules of trade and finance, and mustering overwhelming military strength to support its lead role. Its reign has been considerably foreshortened if compared with its progenitors: U.S. capital began to flow outward during the Vietnam War, Bretton Woods and Nixon were cast out, and the world slipped into prolonged economic recession triggered by war in the Mideast and a spike in the price of oil – all enough for Arrighi to postulate a signal crisis. The terminal crisis was triggered by the U.S. response to the Twin Towers bombing and the disastrous war in Iraq, an instance he refers to as a “case of great power suicide,” now capped with the loss of “U.S. financial centrality and hegemony,” and the rise of China, the new hegemon. [[22]](#endnote-22)

 Thus, for Arrighi, crises are graded, consecutive, inter-related, and some of them change the course of world history. David Harvey, on the other hand, believes that crises are immanent in the operations of capitalism itself, and they are many. At each point in the production and realization of surplus value, in the subsequent cycles of investment of capital to more or expanded production and to more exhaustive exploitation of labor to produce more value, the capitalist economy can stall and crash. Owing to lack of demand, capital and labor can become useless, and each in turn becomes devalued, forcing the economy into a downward spiral of still less demand and still more devalued goods and labor. One might say that given the multiple possibilities for failures, and frequent ones at that, Harvey’s theory of crisis is more sensible even if it eschews Arrighi’s attractive grand design. It fits many sets of facts, useful wherever one finds an operating capitalist economy, while still scalable upward to the world-historical scenarios so favored by Arrighi.

 Harvey’s chronology of crises is periodized differently. Instead of tying world-historical phases of capitalism to the rise and fall of hegemonic powers, Harvey stresses changing world trends in the political as well as economic command of economy and society. Harvey traces his account of the present crisis to the post-World War II attempt of the United States to spread its version of New Deal welfare capitalism through its domain. The Bretton Woods institutions, the IMF serving as lender of last resort and the World Bank acting to raise living standards in the Global South, along with the formation of a European common market and U.S. sponsorship of free trade and foreign aid, were assembled as the instruments of achieving an American-centered world prosperity. When the U.S. growth engine and that of its satellites began to sputter in the seventies, it restored in neoliberalism a mode of surplus extraction and governance more characteristic of capitalist society before the “Great Reform” era that had actually initiated important changes in the role of the state in providing welfare and regulating business at the turn of the 20th Century. Governments, Anglo-American and other, shifted the fruits of surplus extraction back to capital and burdened labor with the costs of its reproduction that had been assumed last century by nation-states. For Harvey, the seventies’ combination of stagflation, declining profitability, and deindustrialization in the Global North, along with northern financial investment (and speculation) in the Global South has triggered a succession of intimately related crises. Capital’s attempt to compensate for declining profitability by using cheap labor in the Global South and dispossessing northern workers further aggravates the problem of sagging world demand, intensifying global competition and prompting the chase for quick and higher returns through financial speculation. The neoliberal epoch (beginning in the eighties) and its crises, thus, are cut from the same cloth.[[23]](#endnote-23)

 Thus, be they bold and Marxian or more cautious and New Keynesian, the concept of crisis in use with reference to the “Great Recession, 2008+,” spills over conventional boundaries and suggests further analysis of what we might or should mean by crisis in the theoretical sense rather than relying on the term simply as a “rounded-off” empirical description.

**Economic Inequality Returns to Center Stage**

In spite of all this damage, past and continuing, and the attempt to deepen analysis of the crisis by linking it to lack of demand arguably the product of a long-term rise in economic inequality, the world elite’s policy paralysis if palpable. Meanwhile, massive economic inequalities and their detrimental consequences have become a part of the common sense of everyday life in the world today, and as such, risk becoming natural facts about the world itself, and deeply damaging facts at that. Consider some instances for the United States. When geographical alleys of high poverty and catastrophically low life expectancy are charted across the middle of America from the Appalachians to the deep South, no one cries out in disbelief, even if the life expectancy gap is **35 years** between rich and poor regions.[[24]](#endnote-24) Nor does anyone exhibit surprise that the U.S. poor and working class, including African-Americans and Latinos, have higher high-school drop-out rates and dramatically lower college attendance and completion rates than the middle and upper classes, despite the modest efforts of the federal government as well as colleges and universities to mitigate the wealth and income disadvantages for the deserving with scholarships and loans.[[25]](#endnote-25) Perhaps the only “aha” response recorded is when people are confronted with the fact that 45% of U.S. children live in poor and low-income households.[[26]](#endnote-26)

For the most part, economic inequality and its harms are taken for granted. From “culture of poverty” conservatives such as Charles Murray that pathologize the poor to liberal poverty interventionists like economist Richard Freeman that argue for more opportunity, few policy analysts would disagree with the late Nobel economist James Tobin that one must face “the unpleasant reality that one generation’s inequality of outcomes is the next generation’s inequality of opportunity.”[[27]](#endnote-27)

From the vantage of the Global North, the plight of poor countries put most charitably arises from the pathologies of under-development. As Paul Farmer, first with reference to Haitians during the AIDS crisis,[[28]](#endnote-28) and now once more with the Ebola outbreak in West Africa, noted, many in the Global North have preferred to treat these epidemics as the result of traditional beliefs and practices of the world’s poor rather than objective deficiencies in their health care systems. Regarding Ebola, Farmer writes:

“Ebola is more a symptom of a weak healthcare system than anything else. But until this diagnosis is agreed on, there’s plenty of room for other, more exotic explanations. The palaver (as Liberians say) includes a lot of talk about the ‘cultural beliefs and behaviors’ said to propagate the outbreak. The list usually includes activities that are not really ‘behaviors,’ such as hunting and eating bush meat, (and) taking part in strange funerary practices of ‘secret societies’ … Despite anthropologists’ fondness of recounting such practices, these rights are not suspected of having played a major role in outbreaks of Ebola in Congo, Uganda and Sudan over the last forty years. …. What is to be done? The only formula we’ve come up with is the following: you can’t stop Ebola without staff, stuff, space and systems.”[[29]](#endnote-29)

One then can take heart that Piketty and his extraordinary book have come along. His findings of deep and enduring economic inequality in the Global North (and as his data allowed, in the Global South as well) are consonant with other less well-known recent findings. For instance, Oxfam reports that the top 1% of world households owns half the world’s wealth. Just 85 people have the wealth equivalent to half the world’s population. Seventy percent of the world’s population lives in states where economic inequality has increased over the past 30 years. Twenty-four out of 26 countries where complete data are available have experienced a growth in the income share of the top 1% between 1980 and 2012. The GINI index, currently the most widely used index for income inequality, has climbed in 58 states since 1988; their number in addition to the Global North (including Scandinavia) includes Indonesia, China, India, Pakistan, and Nigeria. Governance played a part, as in most of these states marginal tax rates have declined since 1975.[[30]](#endnote-30)

 Piketty’s effort has also helped pushed back the “growing global middle class” hypothesis that has emerged since the 2008 world recession.[[31]](#endnote-31) He has enabled various publics to understand that the economic growth of China and India was helping the Indian and Chinese rich get richer, in many cases astronomically richer, even as it was only marginally lifting the poor.[[32]](#endnote-32) Many observers are now also gaining an audience as they draw attention to the fragility and fears for the survivability of the small progress that heretofore poor masses, lately re-branded as the new global middle class, have made in the last decade.[[33]](#endnote-33)

 Yet the commonplace notion that the rich get richer, and the poor get poorer, persists, and is taken for granted in our time. In an otherwise engaging and picturesque piece in the weekend leisure section of a recent *Financial Times* on tramping about rural Albania, writer Andrew Eames allows casually that:

“Albania’s long period of communist isolation has given way to a catch-up capitalism, producing massive inequality between town and country. In practical terms that means that an Albanian’s choice of transport seems to be either a Mercedes or a donkey.”[[34]](#endnote-34)

An observation such as this before might have fit nicely into the casual accounts of travels in Europe’s many colonies before the Second World War. The writer talks with a shepherd coming off a mountain who had lost a sheep to wolves. He stops to admire a frescoed 13th Century Byzantine Church with a sagging roof and nests of bats. The stark modernism of a Sufi shrine puts him off. Perhaps owing to the Italian wartime occupation, we learn that the food is good. And so it goes: inequality, albeit “massive” and driven by “catch-up capitalism,” is one fact among many of today’s world. There is no alarm bell sounded. After all, it is a travel piece.[[35]](#endnote-35)

 Gross global economic inequality, as well as inequality in the United States, have brought forth campaigns to correct the problem three times since the start of the Second World War. The first corresponds with the U.S. effort to construct a peaceful and more prosperous post-World War II world. The second, largely associated with the social and political upheavals of the sixties, marks a moment when peoples around the world demanded freedom from colonial and neo-colonial oppression, an end to wars, and a new age of social justice. The third, our present day, is but half-born, even as now many voices world-wide insist that vast economic inequality among and within all nations is snuffing out human well being just as quickly as metrics of “economic development” inch upward on the graph of human progress.

**A Partial Genealogy of Inequality Concern**

On February 1, 1941, Franklin Roosevelt proposed that “freedom from want,” the goal of providing “a healthy peacetime life” for all the world’s citizens, should take its place alongside freedom of expression, freedom of religion, and freedom from fear, as one of the four great desiderata of a world delivered from the tyranny of war. For Roosevelt, these goals, so close indeed to those he held sacred for the United States, could change the world for the better too.[[36]](#endnote-36) He sought to implement his “global new deal” via the establishment of institutions that later became the United Nations, the International Monetary Fund, and the World Bank. [[37]](#endnote-37) In the United Nations *Universal Declaration of Human Rights*, the world’s nations made known their intent to make “freedom from want” a fundamental human right in the face of the greatest modern humanitarian and economic crisis the world had yet known.[[38]](#endnote-38) President Harry Truman supported a World Bank mission to promote economic growth in poor countries, and as the Cold War accelerated, viewed development as a bulwark against the rise of revolutionary socialism in the Global South.[[39]](#endnote-39)

The Cold War cast a pall over decolonization, as both perceived and actual competition with the Soviet Union and China prompted extensive U.S. intervention overtly and covertly not only throughout the Global South but also through much of Western and Southern Europe. Militant struggle on many fronts against neo-colonialism, cold war expansion, and for greater social and civil rights achieved some gains, and logged some losses, but the greater damper upon the fires of reform proved to be the deep world economic crisis of the mid-seventies that extinguished flames conservatives of all sorts could not. For the Global North, the 30-year “golden age” of economic expansion was over, and the Global South’s hopes for their own golden age snuffed out by debt, stagnation, and for many decline.[[40]](#endnote-40) For all that, economic inequality between the Global North and the Global South grew, drawing protests from the Brandt Commission (1980) and the Brundtland Commission (1987). The first of these argued for the redistribution of the North’s riches to help solve the South’s pervasive poverty;[[41]](#endnote-41) the second called for “sustainable development,” a concept that included a decent living for everyone on the planet.[[42]](#endnote-42) Both caused a flurry of concern upon release, and were then ignored and forgotten.

In the United States, increasing income inequality was spotted (and ignored) almost the instant it became a trend. Inequality in the US had been growing since the 70s and chronically world-wide since the renewed waves of globalization begun in the 70s, this time fed by Northern finance and neoliberal policy regimes that helped the rich get richer in every society, swept into the deepening waters of the world economy. In fact, a few minutes with the *New York Times Archive* is enough to document how major stories were filed from 1972 onwards detailing the rise in U.S. income inequality.[[43]](#endnote-43) Most disturbing is a January 3, 1982 “conversation” among Daniel Bell, Robert Nozick, and James Tobin entitled “If Inequality Is Inevitable, What Can Be Done about It?” that save for Tobin’s temporizing is like a modern version of the *trahison des clercs*. Certainly audiences ranging from the readers of the *New York Times* to intellectuals and technocrats were aware of these facts well before the outbreak of the “Occupy” movements world-wide in 2011, as the data had been available almost simultaneously with the renewed growth in income inequality itself.

However, the relentless ideological fusillades of neoliberalism released by the Reagan and Thatcher regimes in the eighties pushed the story of growing economic inequality off the front pages. When the issue of inequality surfaced in public spaces, their administrations alternately took the hard line that inequality was the cost of economic growth and rewarding entrepreneurial success, or more softly suggested that a “rising tide” of economic growth “would lift all boats.” It was a time of “trickle down” economic reason and an assault on welfare states, the latter signifying a war on the poor.[[44]](#endnote-44)

**More Equality as the Single Most Important Solution**

And so, under the guise of renewed hegemonic growth, inequality grew. With enforcement of the Washington Consensus through the combined pressure of Northern nations and the global institutions under their control from the late eighties onward, Northern capital and its government sponsors sought out Southern partners to join in the “endless accumulation” that drove the world into the current economic crisis. The South as a totality grew, but so did inequality.

 And so did the “demand deficiency syndrome,” aided by accelerated combined and uneven development. Current account surpluses filled the coffers of treasuries and central banks throughout the South, if only to prevent a slump or a banking crisis from unleashing punitive expeditions from international agencies such as the IMF and the World Bank charged with enforcing Northern policy disciplines. The great Chinese surplus, earned as the regime rightly notes by the sweat and sacrifice of Chinese workers, sits undistributed in U.S. Treasury bonds, neither advancing the utilitarian needs for greater global consumption nor rewarding the same Chinese workers with a higher standard of living for their pains.

 There is a growing air of desperation alternating between fits of resignation among global elites and their policy-makers. “The helicopter drops might not be far away,” writes Martin Wolf in the *Financial Times*. “The obsession with austerity, even when borrowing costs are so low, is lunatic,” he adds. He may as well be leading a chorus, as Milton Friedman’s argument that in crises such as these, the best thing to do is for central banks to put a significant sum into every person’s bank account – to pass out free money, in other words, to push up demand.[[45]](#endnote-45)

 Not much concealed in the proposal is the obvious recourse to redistribution, which is clearly one of the things that must be accomplished on a massive, global scale.[[46]](#endnote-46) This can only be accomplished with levels of wealth and income levies more characteristic of the Global North during the Second World War, which by the way accounted for at least in the United States significant drops in economic inequality, gains quickly vanquished by the Reagan 1981tax cuts. The successive rounds of North-North and North-South redistributions would certainly need at least a quarter of a century to significantly reduce economic inequality within and among nations. But other remedies cry out for consideration. The socialization of basic needs found typically among the Scandinavian social democratic regimes suggests a blue print for our global future. The transformation of world financial institutions into savings and payment entities and the transfer of their investment functions to responsible national and international governments once again helps on both the equality and the investment front. The world economy needs united, democratic leadership: production for the social good that is ecologically sustainable, and labor with justice can only be accomplished by setting the table through investment for the satisfaction of human needs.

 Responsible growth that meets the needs of all requires equality, and there is good recent evidence from the OECD that greater equality can improve the rate of economic growth.[[47]](#endnote-47) Yet it can obviously no longer consist of growth in pursuit of “endless accumulation.”

 A new path out of crisis and toward equality and justice is necessary. More of the means are there than every before to achieve it.

1. (Cambridge, MA: Harvard University Press, 2013). [↑](#endnote-ref-1)
2. Martin Wolf, *The Shifts and the Shocks: What We’ve Learned and Have Still to Learn from the Financial Crisis*, (New York: Penguin Press, 2014), 173. Wolf added “chronic” to “demand deficiency syndrome” in “The Helicopter Drop Might Not Be Far Away,” *Financial Times*, February 26, 2016, 9. [↑](#endnote-ref-2)
3. International Labour Organization (ILO), *World Employment Social Outlook: Trends 2015*, (Geneva, 2015), 8. [↑](#endnote-ref-3)
4. ILO, 2015, 5-6, 24. [↑](#endnote-ref-4)
5. United Nations Conference on Trade and Development, *Trade and Development Report, 2015*, (New York, 2015), III. [↑](#endnote-ref-5)
6. Anne Case and Angus Deaton, “Rising morbidity and mortality in midlife among white non-Hispanic Americans in the 21st century,” [www.pnas.org/cgi/doi/10.1073/pnas.1518393112](http://www.pnas.org/cgi/doi/10.1073/pnas.1518393112), September 71, 2015. See also Donny Dorling, “Unemployment and Health: Health Benefits Vary According to the Method of Reducing Unemployment,” *British Medical Journal*, 338, (2009), 829; H. Moller, “Health Effects of Unemployment,” Wirral Performance and Public Health Intelligence Team, UK National Health Service, (August 2012) [↑](#endnote-ref-6)
7. Hwok-Aun Lee, and Rene Ofreneo, “From Asian to Global Financial Crisis: Recovery Amidst Expanding Labour Precarity,” *Journal of Contemporary Asia*, 44:4, (2014), 688–710. For Asia as a whole, see International Labour Organization Regional Office for Asia and the Pacific, *World Employment and Social Outlook, 2015: Asia and the Pacific Supplement*, May, 2015. [↑](#endnote-ref-7)
8. See Paul Krugman, *The Return of Depression Economics and the Crisis of 2008*, (New York: W.W. Norton, 2009), 181-184, for a short statement of the argument from a “New Keynesian” point of view. See his *End This Depression Now!* (New York: W.W. Norton, 2012), 25-47, for a longer statement of the argument. Joseph Stiglitz, *Freefall: America, Free Markets and the Sinking of the World Economy,* (New York: W.W. Norton, 2010), 20, offers an identical diagnosis. From a Marxist point of view, David Harvey in *The Enigma of Capital*, (New York: Oxford University Press, 2010), agrees. See too Harvey’s classic statement in *Limits to Capital*, (New York: Verso, 1999 [1982]), 79-97. I do not mean to imply that there were not other explanations for the crisis initially offered. Particularly important was Martin Wolf’s “global imbalances” argument, (see his *Fixing Global Finance*, (Baltimore, MD: Johns Hopkins University Press, 2010) which underlined what then Fed Chief Ben Bernanke referred to as the “savings glut” in East Asia and the mismatch with the debt-driven American economy that drove the world financial system into areas of unsustainable economic transactions such as sub-prime mortgaging. His diagnosis is shared in part by Raghuram Rajam in *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, (Princeton, NJ: Princeton University Press, 2010) and by Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance*, (New York: Penguin, 2011), though both put more emphasis on the institutional failings of financial institutions and their guardians. I stress the effective demand side of the crisis because it has proved the most long-lasting and damaging. [↑](#endnote-ref-8)
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14. (Princeton, NJ: Princeton University Press, 2009), xxv. [↑](#endnote-ref-14)
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22. Giovanni Arrighi, “The Winding Paths of Capital: An Interview by David Harvey,” *New Left Review*, 56, (March-April, 2009), 82, 90. For a beguiling, if hotly disputed analysis of the rise of China as the new candidate world hegemon, see Arrighi, *Adam Smith in Beijing*, (New York: Verso, 2009). [↑](#endnote-ref-22)
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